Saskatchewan Economic and Financial Position

November, 1989

Saskatchewan
Finance

The Hon. Lorne H. Hepworth
Minister of Finance

Report from the Minister of Finance

I am pleased to present the annual summary report on Saskatchewan's economic and financial position.

This report provides the latest information on Saskatchewan's economic performance for the 1988 calendar year and the Government's preliminary financial results for the fiscal year ended March 31, 1989.

Last year's severe drought cast a shadow over the province's economy, but strength in non-agricultural sectors diminished the drought's overall impact. At the same time, prudent management enabled the Government to achieve its 1988-89 fiscal objectives.

The drought not only halted output growth in the farm sector but caused that sector to contribute less to Saskatchewan's economy in 1988 than it had in 1987. The fall in agricultural Gross Domestic Product in turn caused total real Gross Domestic Product to decline 4.2 per cent from its 1987 level.

Total crop production fell 51 per cent as the harvest volume of all major crops except canola dropped from their 1987 levels. As well, water supply reductions and feed grain shortages made 1988 a difficult year for livestock producers. The severity of last year's drought required governments to respond swiftly and decisively. The federal and provincial governments coordinated their efforts to offset the drought's impact with payments to Saskatchewan farmers from government-administered programs exceeding $1.1 billion in 1988. Along with other provincial programs, such as those to help farmers cope with high interest rates, this government assistance helped to protect 1988 farm incomes from the effects of the drought. As a result, realized gross farm income remained unchanged at $4.3 billion.

Government assistance also helped to offset effects of the appreciation of the Canadian dollar against its U.S. counterpart. Currency appreciation, which averaged 9.3 per cent last year, reduced the Canadian dollar proceeds to farmers and other Saskatchewan exporters from international sales priced in U.S. dollars.

Output gains in Saskatchewan's non-agricultural sectors offset further the adverse economic impact of the drought and currency appreciation and provided evidence of the success of the Government's diversification efforts.

Within the resource sector, 1988 was an excellent year for the province's natural gas industry. During the first full year of industry deregulation and price-sensitive royalties, drilling rose 31 per cent to a record 742 wells and production volume increased 51 per cent. Saskatchewan is now a net exporter of natural gas.

Price weakness during the second half of 1988 affected oil industry activity and limited the year's production volume to the same level achieved in 1987. However, drilling increased 29 per cent to 1,048 wells.

The resolution early in 1988 of the United States' anti-dumping trade action against the Canadian potash industry resulted in higher sales volumes and prices in that market. Aided by an improved outlook for the international grain trade, offshore sales also were brisk. The average price received by Saskatchewan producers increased from $98 (Can.) in 1987 to $137 (Can.) per K_2O tonne of potash in 1988.

Uranium markets exhibited slackness last year, causing a decline in Saskatchewan production. Prices received by provincial uranium producers remained virtually unchanged from 1987.

Other economic indicators affirm the 1988 strength of Saskatchewan's non-agricultural sector. New capital investment in the province was strong last year, particularly among the utilities, mining and manufacturing industries. Projects such as the Weyerhaeuser fine paper mill at Prince Albert demonstrate business confidence in Saskatchewan's future.

A decline in agricultural employment caused the total number of persons employed in the province to drop by 2,000 in 1988 to 451,000. The total employment figure is 13 per cent higher than a decade ago, reflecting exceptional labour market performance in the non-agricultural industries. The number

of non-agricultural jobs rose by 11,000, or 3.0 per cent, last year. Manufacturing employment alone increased by 4,000 to 27,000.

The provincial unemployment rate remains below the national average. The 7.5 per cent rate in 1988 was the second lowest in Canada.

Consumer price inflation in Saskatchewan declined last year. The Consumer Price Index rose an average of 4.3 per cent in Regina and 4.5 per cent in Saskatoon, compared with 1987 increases of 4.9 per cent in both cities. Toronto consumers saw that city's average price level rise 5.1 per cent in 1988.

The Government's 1988-89 preliminary fiscal data reflect careful management, given the year's economic circumstances. This Government responded quickly and decisively to the 1988 problems of the farm sector but was still able to achieve a 1988-89 deficit of $324.4 million, $3.8 million below the March 1988 budget estimate. The 1988-89 deficit is also 40 per cent below the 1987-88 level and more than 70 per cent below its level in 1986-87.

The 1989-90 budget introduced last March projects a deficit of $226.1 million. The budget demonstrates the Government's strong commitment to its priority spending areas: health, education, support of the family and the family farm, and economic diversification. We will continue to use sound management principles to protect people and to foster the province's economic development.

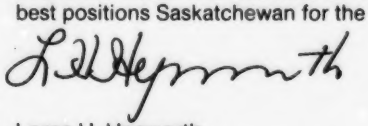
The 1989 economic outlook holds promise. Major forecasters expect growth in Saskatchewan's Gross Domestic Product to surpass that of any other Canadian province. While below the ten-year average, the 1989 harvest will be larger than last year's, and international grain prices appear to show signs of recovery.

The Saskatchewan Government's economic diversification programs will continue to encourage economic activity in both agricultural and non-agricultural sectors. Major investments in irrigation and food processing capacity will help to diversify and expand the agricultural sector, contributing to increased employment and overall economic stability. The Saferco fertilizer plant at Belle Plaine, the Millar Western Industries pulp mill at Meadow Lake and the Husky upgrader at Lloydminster also will create jobs and sustain activity in communities across the province. Public participation in the Potash Corporation of Saskatchewan will offer provincial residents a greater opportunity for direct involvement in local economic development.

The outlook is not without risk, however. High interest and exchange rates, of concern throughout 1988, are among the factors that could retard Saskatchewan's economic growth in 1989.

Measures introduced by this Government offer the province's families, farmers and business community protection against these and other developments beyond their control. Besides providing safety net programs, we will continue to promote diversification and a competitive climate for growth through measures such as the introduction of new royalty structures for potash and uranium and the development of a fairer, more competitive tax system.

This Government is committed to meeting its social, diversification and fiscal priorities, even during difficult economic times. It is this kind of sensible management that best positions Saskatchewan for the future.



Lorne H. Hepworth
Minister of Finance

Economic Highlights

Gross Domestic Product

Saskatchewan's Gross Domestic Product at current market prices rose 5.9 per cent to $18.3 billion in 1988. Real Gross Domestic Product fell 4.2 per cent to $16.5 billion.

While other sectors are growing in importance, agriculture will likely remain the swing sector in determining economic growth in Saskatchewan for some time. The severe drought in 1988 reduced farm inventories by $1.7 billion in constant 1981 dollars and almost singlehandedly caused the measured change in real output of goods and services of the province to falter.

The sustained currency appreciation in 1988, in combination with falling international oil prices and weak uranium demand, cut Saskatchewan exports by 9.2 per cent to $9.3 billion in real terms. Imports surged 5.0 per cent to $5.9 billion.

The other components of Gross Domestic Product posted significant increases in 1988. The strongest of these was gross fixed capital formation which went up 7.4 per cent in real terms. Government expenditure on goods and services increased by 2.4 per cent, and personal consumption expenditure went up 0.4 per cent. Final Domestic Demand, which is the sum of gross fixed capital formation, government expenditure on goods and services and personal consumption expenditure, rose 2.5 per cent in constant 1981 dollars.

The fundamental soundness of Saskatchewan's economy is illustrated by Gross Domestic Product at factor cost, by industry. Excluding agriculture, the Saskatchewan economy expanded by 5.2 per cent in 1988 with the industrial goods sectors and the service producing sectors rising by 6.4 per cent and 5.1 per cent, respectively.

Personal Income

Total personal income rose by 0.8 per cent to $16.2 billion in 1988. Virtually all components of personal income posted increases. Wages and salaries and other supplementary labour income increased by 4.1 per cent while interest, dividends and miscellaneous investment income went up by a hefty 8.0 per cent, presumably owing to the interest rate surge during the year. Net income received by farm operators fell to $209 million in 1988 from $897 million in 1987.

Since net income received by farm operators includes the value of farm inventory change, it should be distinguished from realized net farm income which measures farmers' cash flow after payment of operating expenses. Realized net farm income rose 4.6 per cent to over $1.0 billion last year.

Consumer Prices

Regina's inflation rate, as measured by the change in the Consumer Price Index, averaged 4.3 per cent in 1988, down from 4.9 per cent in 1987. Saskatoon's corresponding figure was 4.5 per cent, also down from 4.9 per cent in 1987. The national inflation rate was 4.1 per cent last year compared to 4.4 per cent in 1987.

Population and Labour Force

Saskatchewan's population on June 1, 1988 stood at 1,012,800, down slightly from 1,015,800 the previous year.

The provincial labour force was 488,000 or 1,000 less than the labour force in 1987. The employment level also declined slightly to 451,000 from 453,000 in 1987. As a result, Saskatchewan's unemployment rate edged up to 7.5 per cent from 7.4 per cent in 1987. The province, however, had the second lowest unemployment rate among all Canadian provinces last year. The national unemployment rate was 7.8 per cent.

The employment and unemployment figures mask last year's exceptional labour market performance in non-agricultural industries. A total of 11,000 new non-agricultural jobs were created in 1988, of which 4,000 were in manufacturing alone.

Agriculture

The severe drought in 1988 caused Saskatchewan's total crop harvest volume to decline substantially to 11 million tonnes from 22 million tonnes in 1987. The sum of farm cash receipts, income in kind and supplementary payments, however, remained virtually unchanged at $4.3 billion as higher grain prices, record crop insurance payments and other government payouts helped offset much of the production loss. The six major grains and oilseeds contributed approximately 54 per cent to total cash receipts while livestock represented 18 per cent. Government payments contributed roughly 28 per cent to the total.

Minerals

The total value of mineral sales went down slightly to $2.9 billion in 1988 from $3.2 billion in 1987. The higher prices of, and resurgent markets for, potash and natural gas were not sufficient to offset the decline in the value of crude oil and uranium sales during the year.

Potash sales increased by 45 per cent to $975 million in 1988 while natural gas sales reached $207 million, up 21 per cent from 1987. The province is now a net exporter of natural gas.

Despite softness in the international price of oil, drilling activities were sustained. A total of 2,082 wells were drilled in 1988 compared to 1,602 in 1987. Of these, 1,048 were oil wells compared to 811 in 1987 and 742 were natural gas wells compared to 568 in 1987.

Trade with the Rest of Canada and Abroad

The total current dollar value of Saskatchewan exports fell to $7.1 billion in 1988 from $7.5 billion in 1987. The decline is due to the lower oil prices, weak uranium demand and currency appreciation. Measured in constant 1981 dollars, the total value of exports fell to $9.3 billion from $10.2 billion in 1988.

Saskatchewan imports from the rest of Canada and abroad increased to $7.9 billion last year from $7.3 billion in 1987. In constant 1981 dollars, imports increased to $5.9 billion from $5.6 billion the previous year.

Manufacturing and Retail Trade

The total value of manufacturing shipments rose slightly to $3.2 billion from $3.1 billion in 1987. There were significant increases in the value of shipments in machinery, chemicals and chemical products, printing and publishing materials, and fabricated metals. The food and beverage category, which accounts for about one third of overall shipments, posted a modest increase of 3.6 per cent during the year. Non-metallic minerals experienced a drop of 26 per cent.

Retail trade, which is regarded as a portent of economic activity, also increased during the year. Retail trade reached $5.5 billion, up 4.7 per cent from 1987.

Public and Private Investment

The value of private and public investment rose $412 million or 7.1 per cent to $6.2 billion in 1988 from $5.7 billion in 1987. New capital expenditures alone reached $4.6 billion, up 6.7 per cent from $4.3 billion in 1987. Most of the new investment went to utilities, mining and manufacturing.

A recent survey of investment intentions by Statistics Canada indicates that investment in Saskatchewan will rise marginally from 1988. This survey was made in July, 1989.

Saskatchewan Economic Statistics

Calendar Year	1984	1985	1986	1987	Preliminary 1988
Gross Domestic Product - Current Prices - Millions of Dollars					
Personal Expenditure on Goods and Services	9,490	10,005	10,629	11,295	11,818
Government Expenditure on Goods and Services	3,313	3,542	3,817	3,818	3,983
Gross Fixed Capital Formation	4,047	4,241	3,920	4,479	4,876
Value of Physical Change in Inventories					
Non-Farm	333	(117)	46	(74)	208
Farm Inventories and Grain in Commercial Channels	(708)	287	807	(228)	(1,133)
Exports of Goods	8,401	7,491	6,085	7,453	7,135
Minus: Imports of Goods	6,285	6,445	6,657	7,317	7,854
Net Exports of Services and Residual Error	(2,174)	(1,721)	(1,686)	(2,142)	(736)
Gross Domestic Product	16,418	17,283	16,961	17,284	18,298
Annual Rate of Change (Per Cent)	8.0	5.3	(1.9)	1.9	5.9
Per Capita Gross Domestic Product (Current Dollars)	16,410	17,139	16,790	17,015	18,067
Gross Domestic Product - Millions of Constant 1981 Dollars					
Personal Expenditure on Goods and Services	7,880	8,025	8,345	8,402	8,432
Government Expenditure on Goods and Services	2,538	2,614	2,739	2,694	2,759
Gross Fixed Capital Formation	3,609	3,647	3,254	3,606	3,872
Value of Physical Change in Inventories					
Non-Farm	359	101	40	(164)	235
Farm Inventories and Grain in Commercial Channels	(809)	435	1,223	(461)	(1,708)
Exports of Goods	8,764	8,145	8,467	10,197	9,258
Minus: Imports of Goods	5,396	5,248	5,347	5,585	5,862
Net Exports of Services, Residual Error and Adjustment	(1,730)	(1,270)	(1,190)	(1,489)	(509)
Real Gross Domestic Product	15,215	16,448	17,530	17,200	16,477
Annual Rate of Change (Per Cent)	3.6	8.1	6.6	(1.9)	(4.2)
Per Capita Gross Domestic Product (1981 Dollars)	15,207	16,311	17,353	16,933	16,269
Gross Domestic Product at Factor Cost by Industry - Current Prices - Millions of Dollars					
Total Primary Industries and Construction	4,093	4,407	4,007	3,887	3,715
Agriculture	1,519	1,844	2,330	1,989	1,734
Fishing	8	8	8	9	9
Forestry	46	41	41	41	45
Mining	1,798	1,861	921	1,082	1,131
Construction	722	652	707	766	796
Manufacturing	900	924	1,014	1,048	1,135
Transportation, Communications and Storage	1,317	1,310	1,429	1,517	1,566
Utilities	329	372	374	383	425
Trade	1,530	1,674	1,747	1,847	1,908
Finance, Insurance and Real Estate	3,240	3,263	3,318	3,709	3,963
Services	3,280	3,446	3,777	4,005	4,247
Public Administration	1,196	1,241	1,303	1,348	1,348
Gross Domestic Product at Factor Cost	15,884	16,636	16,970	17,744	18,307
Indirect Taxes Less Subsidies	534	646	(8)	(459)	(9)
Gross Domestic Product	16,418	17,283	16,961	17,284	18,298

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1984	1985	1986	1987	Preliminary 1988
Trade with the Rest of Canada and Abroad - Current Prices - Millions of Dollars					
Exports					
Grain	3,308	2,224	1,992	2,458	2,465
Crude Oil	2,015	2,215	1,109	1,450	995
Potash	829	621	553	727	975
Manufactured Goods to Rest of Canada	802	839	820	879	723
Other	1,448	1,592	1,612	1,938	1,977
Total Exports	8,401	7,491	6,085	7,453	7,135
Imports					
Crude Oil	367	373	232	314	177
Natural Gas	174	135	90	50	18
Manufactured Goods from Rest of Canada	2,883	3,116	3,185	3,384	3,620
Other	2,860	2,822	3,149	3,569	4,039
Total Imports	6,285	6,445	6,657	7,317	7,854
Trade with the Rest of Canada and Abroad - Millions of Constant 1981 Dollars					
Exports					
Grain	3,512	2,708	3,052	4,115	3,373
Crude Oil	1,978	2,082	2,128	2,284	2,329
Potash	1,095	1,040	984	1,098	1,112
Manufactured Goods to Rest of Canada	701	720	688	717	569
Other	1,478	1,594	1,614	1,982	1,875
Total Exports	8,764	8,145	8,467	10,197	9,258
Imports					
Crude Oil	221	219	253	284	203
Natural Gas	152	127	104	78	28
Manufactured Goods from Rest of Canada	2,498	2,627	2,664	2,757	2,827
Other	2,526	2,275	2,327	2,467	2,804
Total Imports	5,396	5,248	5,347	5,585	5,862
Value of Mineral Sales - Millions of Dollars					
Oil	1,868	2,252	1,174	1,515	1,044
Potash	829	622	550	671	975
Uranium	354	456	457	637	463
Other	301	322	361	381	444
Total Value of Mineral Sales	3,352	3,652	2,542	3,204	2,926
Volume of Mineral Sales					
Oil - Thousands of Cubic Metres	10,758	11,541	11,706	12,064	12,242
Potash - Thousands of Tonnes	6,998	6,377	6,309	7,022	7,106
Uranium - Thousands of Kilograms	5,852	7,337	7,444	11,223	8,416

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1984	1985	1986	1987	Preliminary 1988
Personal Income - Millions of Dollars					
Wages, Salaries and Supplementary Labour Income	7,146	7,510	7,937	8,293	8,638
Net Income Received by Farm Operators from Farm Production	308	823	1,344	897	209
Other Income	5,459	5,866	6,350	6,893	7,367
Total Personal Income	12,914	14,199	15,631	16,083	16,214
Farm Income - Millions of Dollars					
Farm Cash Receipts	4,333	4,056	4,011	3,828	3,748
Income in Kind and Supplementary Payments	71	86	172	454	529
Realized Gross Farm Income	4,403	4,142	4,183	4,282	4,277
Minus: Operating and Depreciation Charges	3,345	3,449	3,416	3,311	3,262
Realized Net Farm Income	1,058	693	767	971	1,016
Value of Inventory Change	(703)	162	570	(157)	(785)
Total Net Income of Farm Operators from Farm Production	355	855	1,337	814	231
Minus: Amounts Included in Other Components of Gross Domestic Product and Transfers to Persons	32	33	31	27	28
Plus: Other Adjustments	(16)	1	38	110	7
Net Income Received by Farm Operators from Farm Production	308	823	1,344	897	209
Population and Labour Force - Thousands of Persons					
Population as of June 1	1,001	1,008	1,010	1,016	1,013
Labour Force	474	485	489	489	488
Participation Rate (Per Cent)	65.2	66.3	66.6	66.4	66.4
Employed	436	446	452	453	451
Unemployed	38	39	37	36	37
Unemployment Rate, Saskatchewan (Per Cent)	8.0	8.1	7.7	7.4	7.5
Unemployment Rate, Canada (Per Cent)	11.2	10.5	9.5	8.8	7.8
Consumer Price Index - Annual Percentage Change					
Regina	4.4	3.7	2.1	4.9	4.3
Saskatoon	3.5	3.5	4.1	4.9	4.5
Canada	4.4	4.0	4.1	4.4	4.1
Private and Public Investment - Millions of Dollars					
New Capital Investment					
Construction	2,383	2,744	2,436	2,824	3,115
Machinery and Equipment	1,531	1,349	1,337	1,487	1,488
Total New Capital Investment	3,915	4,093	3,773	4,311	4,602
Repair and Maintenance	1,321	1,410	1,361	1,438	1,558
Total Private and Public Investment	5,235	5,503	5,135	5,749	6,160
Other					
Value of Manufacturing Shipments - Millions of Dollars	2,852	2,983	3,032	3,148	3,187
Value of Retail Trade - Millions of Dollars	4,354	4,704	4,999	5,254	5,502
Housing Starts - Units	5,221	5,354	5,510	4,895	3,856
Electric Power Generated - Millions of Kilowatt Hours	11,543	11,838	11,900	12,456	12,937

Note: Components may not add to totals due to rounding.
Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada

Financial Highlights

1988-89 Fiscal Year Preliminary Results

Summary of Fiscal Position

The preliminary results for the 1988-89 fiscal year indicate that Combined Funds revenue totalled $3,695.1 million, while Combined Funds expenditure totalled $4,019.5 million. The result was a Combined Funds deficit for 1988-89 of $324.4 million.

Receipts for loans, investments and deposits in 1988-89 totalled $2,036.3 million. Disbursements totalled $2,310.0 million, with a shortfall of $273.7 million. Total cash requirements in 1988-89, therefore, totalled $598.1 million.

Revenue and Expenditure

Combined Funds revenue in 1988-89 totalled $3,695.1 million, an increase of 12 per cent over 1987-88. The major factors contributing to this increase were a Liquor Board dividend of $194.0 million, increased federal transfers of $152.9 million and increased tax revenue of $151.7 million. The overall increase was offset by a $109.1 million reduction in Heritage Fund revenue.

Combined Funds expenditure totalled $4,019.5 million in 1988-89, an increase of 4.7 per cent from 1987-88. The major factor in the increase in expenditures was the Government's increased support to Saskatchewan residents in the areas of health and education. These two program areas accounted for 82 per cent of the increase in total program expenditure. Increased expenditures also were necessary in 1988-89 to offset the effects of the drought on family farms and on provincial forests.

Financing and Debt Management

During fiscal year 1988-89 gross debt outstanding in the name of the Province increased by $548.4 million (Canadian funds equivalent). This increase was comprised of $956.9 million required by the Province, a decrease of $381.5 million in debt borrowed by the Province on behalf of the Crown corporations and others and a $27.0 million decrease resulting from a change in foreign exchange rates. At March 31, 1989, gross debt of the Province was $10,770.9 million of which approximately 60.8 per cent was reimburseable from Crown corporations and other agencies and 39.2 per cent was incurred for general government purposes. Also 92.7 per cent of the gross debt of the Province at March 31, 1989 was denominated in Canadian dollars and 7.3 per cent was in U.S. dollars. The Province has other loans in foreign currencies; however, the liability involved in these transactions has been swapped for Canadian dollars. The Crown corporations are responsible for repayment in full of interest and principal on borrowings on their behalf by the Province.

Debentures sold during fiscal year 1988-89 amounted to $843.9 million, comprised of $750.0 million in medium-term debentures issued in the public markets and $93.9 million in long-term instruments issued to the Minister of Finance of Canada respecting the Canada Pension Plan Investment Fund. Proceeds of these issues were directed to Crown corporations in the amount of $468.9 million to assist in meeting their capital investment needs, and to general government purposes in the amount of $375.0 million.

Debentures redeemed in fiscal year 1988-89 amounted to $565.1 million (Canadian equivalent). Of these debentures, $125.0 million was for the purpose of the Province and the remaining $440.1 million (Canadian equivalent) was for the purpose of the Crown corporations and others. Contributions to the Province's sinking funds totalled $18.5 million in fiscal year 1988-89, of which $18.3 million was contributed by Crown corporations in respect of the debt incurred by the Province for the purposes of those corporations and $0.2 million was contributed by the Province in respect of debt incurred for its own purposes.

Treasury bills and promissory notes outstanding increased by $309.3 million in fiscal year 1988-89.

In addition to new direct borrowing activities in fiscal year 1988-89, the Saskatchewan Power Corporation issued $168.8 million Series V and $126.6 million Series V-E Saskatchewan Power Savings Bonds. Saskatchewan Telecommunications issued $36.8 million Credit Telebonds and $69.5 million Interest Telebonds. These bonds were issued to Saskatchewan residents and unconditionally guaranteed as to principal and interest by the Province.

Assets, Liabilities and Net Debt

Total Combined Funds assets reached $7,611.9 million at March 31, 1989, up 1.7 per cent from March 31, 1988.

Combined Funds liabilities reached $10,496.9 million at March 31, 1989 compared to $9,999.3 million for the previous year. This increase was a direct reflection of debt incurred on behalf of Crown entities and new borrowing undertaken to provide for general government purposes.

Combined Funds net debt at March 31, 1989 totalled $2,885.0 million.

1989-90 Budget Estimates

The Saskatchewan Budget Estimates for Combined Funds for 1989-90 project total revenue of $4,083.4 million and total expenditure of $4,309.5 million, for a combined deficit of $226.1 million.

The budget highlights many of the initiatives that the Government plans to undertake in the coming year. These initiatives will allow Saskatchewan to meet the new challenges and opportunities presented by a changing world economy.

By strengthening the Province's fiscal position, the Government has the capability to fulfill its objectives of:

- protecting and enhancing essential programs for health, education, the family and the family farm; and,
- developing and diversifying the economy.

The Budget Address announced a number of revenue initiatives for 1989-90, designed to increase revenues by $117.6 million. The Hospitals Tax, imposed on gaming activities, and a 2 cent per litre non-rebatable environmental surcharge on leaded gasoline were introduced. The rebatable fuel tax rate was increased from 7 cents to 10 cents per litre, the tax rate on tobacco was increased from $1.42 to $1.67 per package of 25 cigarettes with similar increases for other tobacco products, and the prices of alcoholic beverages were increased to generate $5.0 million in additional revenue.

The 1989-90 budget projects that combined expenditures will be 9.5 per cent greater than the 1988-89 budgeted amount. The increase in the 1989-90 budget expenditures continues the Government's support in the areas of health, education and family services. Of the total budget expenditure increase, 50 per cent is directed towards health and education.

Health care expenditure is projected to increase by over $130 million in 1989-90, up 11 per cent from last year. Included in this is over $64 million for the construction and renovation of hospitals and special care facilities. Funding for an additional 370 nursing positions and $4.3 million for new equipment have been included in this budget to allow Saskatchewan hospitals to meet the rising demand for their services.

Education expenditure is projected to increase by $52 million, up 6.6 per cent from the 1988-89 budgeted amount. This includes $13.0 million in additional operating grants to schools and total allocations of $14.5 million for the Education Development Fund for special program improvements, $31.0 million for the construction and renovation of schools, and $4.0 million in new initiatives to implement education reform.

The budget recognizes the importance of communities in Saskatchewan by the introduction of a $33.0 million, six-year cultural and recreational facilities grant program and a $100.0 million, six-year Municipal Capital Program.

The Government maintains its support for agriculture and the family farm with the introduction of new financing alternatives through the Agricultural Credit Corporation of Saskatchewan to include:

- debt refinancing for viable farm operations;
- financing for the home quarter and necessary farm-related facilities; and,
- long-term financing to cover the first year's start-up costs.

The budget continues initiatives to support diversification of the economy with the expansion of SEDCO's mandate to enable it to provide:

- participating loans to new small business ventures; and,
- working capital through loan guarantees.

In addition, the establishment of the Saskatchewan Government Growth Fund, a government-administered venture capital fund, will provide up to $100 million in investment funds for economic development projects in Saskatchewan.

The 1989-90 capital financing requirements are estimated to total $1,097.7 million of which $689.9 million will be for the purposes of Crown corporations and $407.8 million will be for government purposes. Debt retirement is expected to amount to $721.6 million resulting in an increase in public borrowing of $376.1 million in 1989-90.

Borrowing by the Province from the Canada Pension Plan Investment Fund is estimated at $100.0 million leaving $997.7 million to be raised in various capital markets during 1989-90.

Government of the Province of Saskatchewan
Combined Funds
Statement of Financial Position

Assets	1985	1986	1987	1988	Preliminary 1989
	At March 31				
	(Thousands of Dollars)				(unaudited)
Cash and Short-term Investments (Note 1e)	$ 120,229	$ 7,522	$ (140,975)	$ (47,089)	$ 9,796
Short-term Loans to Crown Entities (Note 1f)	202,554	199,225	237,324	493,170	382,573
Loans to Crown Entities (Note 1g)	4,632,562	6,044,699	6,312,370	5,899,650	5,632,126
Other Loans (Note 1h)	131,570	288,831	190,650	156,444	536,147
Investments in Crown Entities (Note 1i)	838,730	747,230	747,230	824,812	907,044
Investment in Agricultural Land and Related Assets (Note 1j)	163,881	159,307	157,175	149,945	141,298
Other Investments (Note 1k)	13,200	10,357	6,870	4,981	2,936
Total Assets	$6,102,726	$7,457,171	$7,510,644	$7,481,913	$ 7,611,920
Liabilities and Net Debt					
Public Debt (Note 1l)					
Promissory Notes (Note 1l)	$ 612,000	$1,780,600	$1,762,615	$1,199,380	$ 1,508,650
Treasury Bills (Note 1l)	459,540	653,400	650,000	650,000	650,000
Debentures (Note 1l)	5,356,713	5,965,624	7,394,556	8,373,085	8,612,216
Less: Sinking Funds (Note 1l)	(353,205)	(408,712)	(428,110)	(454,552)	(430,609)
	$6,075,048	$7,990,912	$9,379,061	$9,767,913	$10,340,257
Amounts Payable to Crown Entities (Note 1m)	86,819	127,071	92,180	220,392	149,731
Conditional Receipts (Note 1n)	6,167	5,239	4,590	11,039	6,954
Total Liabilities	$6,168,034	$8,123,222	$9,475,831	$9,999,344	$10,496,942
Equity (Net Debt)	(65,308)	(666,051)	(1,965,187)	(2,517,431)	(2,885,022)
Total Liabilities and Net Debt	$6,102,726	$7,457,171	$7,510,644	$7,481,913	$ 7,611,920

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Equity (Net Debt)

	At March 31				
	1985	1986	1987	1988	Preliminary 1989
	(Thousands of Dollars)				(unaudited)
Equity (Net Debt), Beginning of Year	$ 345,656	$ (65,308)	$ (666,051)	$ (1,965,187)	$ (2,517,431)
Excess of Revenue Over Expenditure	(379,796)	(578,877)	(1,232,143)	(542,447)	(324,394)
Sinking Fund Earnings Retained in Sinking Funds	2,443	3,843	2,452	2,548	1,000
Write-down of Short-term Investments	(1,221)	--	--	--	--
Write-down of Other Investments	--	(537)	--	--	--
Provision for Doubtful Accounts - Other Loans	(32,314)	(23,574)	(10,931)	(1,516)	(40,129)
Loss on Sale of Land	(45)	(287)	(116)	(1,582)	(1,999)
Write-off of Other Loans	(31)	(10)	--	--	(21)
Provision for Loss - Loans to Crown Entities	--	(1,301)	(58,398)	(9,247)	(2,048)
Equity (Net Debt), End of Year	$ (65,308)	$ (666,051)	$ (1,965,187)	$ (2,517,431)	$ (2,885,022)

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure

Revenue	1985	1986	1987	1988	Preliminary 1989
	For the Year Ended March 31				
	(Thousands of Dollars)				(unaudited)
Taxes					
Corporation Capital	$ 27,885	$ 30,530	$ 48,256	$ 55,218	$ 86,946
Corporation Income	121,454	129,400	118,801	123,726	128,294
Fuel	32,108	30,723	31,541	161,168	144,442
Individual Income	554,260	627,870	692,079	768,555	847,838
Insurance	17,472	17,318	19,543	20,089	20,752
Mineral Acreage	3,762	3,353	3,367	5,917	5,629
Sales	345,014	374,296	356,597	455,302	498,634
Tobacco	59,967	70,392	78,584	89,810	99,066
Other Taxes	6,033	5,753	6,387	7,150	7,046
Total Taxes	$ 1,167,955	$ 1,289,635	$ 1,355,155	$ 1,686,935	$ 1,838,647
Receipts from Government Enterprises and Other Funds					
Saskatchewan Liquor Board	$ 71,000	$ 84,000	$ 140,000	$ --	$ 194,000
Other Receipts	29,448	11,200	6,680	5,905	25,013
Total Receipts from Government Enterprises and Other Funds	$ 100,448	$ 95,200	$ 146,680	$ 5,905	$ 219,013
Other Own Source Revenues					
Agricultural Lands					
Land Sales	$ 8,862	$ 9,795	$ 6,490	$ 7,758	$ 6,713
Lease Revenue	9,053	10,331	9,836	11,681	11,586
Interest and Other	702	926	1,174	1,242	1,208
Fines, Forfeits, and Penalties	7,557	7,152	8,846	9,040	8,977
Interest, Premium, Discount, and Exchange	23,115	50,906	20,259	25,407	19,309
Non-Renewable Resources					
Coal	17,438	10,688	13,557	18,439	14,853
Natural Gas	9,652	13,332	21,887	22,178	36,337
Oil	645,625	638,661	212,926	347,261	187,862
Crude Oil Export Charge	94,732	35,276	--	--	--
Potash	71,177	32,592	36,982	48,899	96,080
Sodium Sulphate	1,393	1,190	1,085	812	868
Uranium	25,169	36,269	17,807	19,718	17,517
Other	435	978	763	1,187	2,018
Privileges, Licences, and Permits					
Lands, Forest, Game, Fur, Fisheries, and Water	10,032	10,072	10,970	11,614	11,770
Motor Vehicles	57,346	60,281	61,255	67,874	79,291
Other	8,015	10,294	9,883	17,479	12,707
Sales, Services and Service Fees	38,359	64,033	40,627	45,928	37,867
Other Revenues	20,465	19,498	24,871	23,660	18,133
Total Other Own Source Revenues	$1,049,127	$1,012,274	$ 499,218	$ 680,177	$ 563,096
Receipts from Other Governments					
Canada Assistance Plan	$ 143,667	$ 149,131	$ 160,548	$ 156,801	$ 154,917
Economic Development Agreements	3,010	1,069	1,457	728	754
Equalization Payment (Note 2c)	(22,913)	(22,913)	145,665	302,675	454,572
Established Programs Financing	420,181	445,063	409,307	406,233	396,994
Manpower Agreements	28,605	21,611	19,805	11,677	4,983
Statutory Subsidy	2,178	2,175	2,175	2,192	2,184
Other Federal Contributions	15,568	46,896	50,003	33,873	52,633
Other Receipts	7,732	8,930	10,505	8,602	7,332
Total Receipts from Other Governments	$ 598,028	$ 651,962	$ 799,465	$ 922,781	$ 1,074,369
Total Revenue	$ 2,915,558	$ 3,049,071	$ 2,800,518	$ 3,295,798	$ 3,695,125

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure

Expenditure	For the Year Ended March 31 1985	1986	1987	1988	Preliminary 1989
		(Thousands of Dollars)			(unaudited)
Advanced Education and Manpower	$ 257,104	$ 253,743	$ 263,822	$ --	$ --
Agriculture	130,624	220,338	298,441	165,263	189,159
Consumer and Commercial Affairs	5,667	5,418	5,174	5,435	5,565
Co-operation and Co-operative Development	2,865	2,974	2,860	--	--
Culture and Recreation	20,992	18,827	21,667	--	--
Economic Development and Tourism	22,608	10,835	14,497	30,858	31,792
Education	378,983	423,592	437,445	779,886	810,400
Employment Development Agency	222	102,098	203,592	--	--
Energy and Mines	39,493	35,507	19,530	19,743	15,433
Environment and Public Safety	10,554	7,172	7,296	12,800	10,244
Executive Council	6,904	6,877	11,904	6,611	6,597
Finance: Other	24,736	38,960	28,814	133,958	153,861
Interest on Public Debt (Note 1o)	102,470	190,322	192,587	282,043	320,011
Health	1,013,316	1,067,419	1,165,204	1,183,594	1,249,220
Highways and Transportation	208,524	216,329	223,194	215,473	225,106
Human Resources, Labour and Employment	9,527	10,170	10,558	54,329	65,027
Indian and Native Affairs Secretariat	4,459	2,423	2,083	--	3,752
Justice	107,955	104,776	112,417	128,016	140,795
Legislation	9,386	10,441	10,110	11,057	13,873
Local Government Finance Commission	--	416	234	--	--
Northern Affairs Secretariat	355	538	666	--	--
Parks, Recreation and Culture	70,166	61,647	58,131	103,871	100,911
Provincial Auditor	3,604	3,587	3,504	3,230	2,890
Provincial Secretary	605	714	933	2,728	4,765
Public Participation	--	--	--	729	3,365
Public Service Commission	6,293	6,453	6,120	9,830	10,022
Revenue and Financial Services	117,506	121,646	135,630	--	--
Rural Development	53,847	53,811	55,391	54,378	70,032
Saskatchewan Assessment Authority	5,668	5,678	4,731	--	--
Saskatchewan Crop Insurance Corporation	9,238	18,250	17,155	11,931	14,927
Saskatchewan Housing Corporation	--	33,510	45,937	110,584	75,141
Saskatchewan Library	7,578	7,822	8,225	--	--
Saskatchewan Municipal Board	432	417	447	447	772
Saskatchewan Property Management Corporation	--	--	--	8,102	6,763
Saskatchewan Research Council	4,431	4,316	4,081	7,840	6,479
Saskatchewan Water Corporation	--	24,715	25,930	12,456	21,058
Science and Technology	2,448	3,967	5,001	2,434	1,936
Social Services	328,444	340,577	355,669	378,435	364,475
Supply and Services	92,072	92,165	139,076	--	--
Department of Telephones	125	198	463	493	505
Trade and Investment	11,317	7,774	9,375	7,473	5,823
Urban Affairs	224,553	111,224	123,715	94,218	88,820
Women's Secretariat	283	302	552	--	--
Total Expenditure	$3,295,354	$3,627,948	$4,032,661	$3,838,245	$ 4,019,519
Excess of Expenditure over Revenue	$ 379,796	$ 578,877	$1,232,143	$ 542,447	$ 324,394

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity

Receipts	1985	1986	1987	1988	Preliminary 1989
	For the Year Ended March 31				
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	$ --	$ --	$ 110,045	$ 623,100	$ 268,400
Crown Investments Corporation of Saskatchewan	--	51,500	188,000	349,125	293,412
Potash Corporation of Saskatchewan	5,000	18,400	5,000	528,020	--
Saskatchewan Grain Car Corporation	4,984	--	--	--	--
Saskatchewan Economic Development Corporation	--	23,500	--	--	--
Saskatchewan Mining Development Corporation	--	--	--	229,766	370,523
Saskatchewan Oil and Gas Corporation	--	25,000	--	--	--
Saskatchewan Power Corporation	11,604	9,637	174,826	29,752	128,060
Saskatchewan Property Management Corporation	--	--	--	--	100,000
Saskatchewan Telecommunications	--	7,793	13,283	772	15,074
Saskatchewan Water Corporation	--	--	--	9,839	3,000
Loan and Sales Agreements	621	837	618	834	720
NewGrade Energy Inc	--	--	--	60,678	--
Other	59,342	147,311	234,347	60,489	55,790
Total Loan Receipts	$ 81,551	$ 283,978	$ 726,119	$ 1,892,375	$ 1,234,979
Investments					
Potash Corporation of Saskatchewan	$ --	$ --	$ --	$ --	$ 418,554
Saskatchewan Mining Development Corporation	--	--	--	--	218,700
Saskatchewan Oil and Gas Corporation	--	91,500	--	--	--
Investment in Agricultural Land and Related Assets	2,880	4,647	2,289	6,220	6,874
NewGrade Energy Inc	--	--	--	735	--
Other	18	2,546	3,787	1,154	2,061
Total Investment Receipts	$ 2,898	$ 98,693	$ 6,076	$ 8,109	$ 646,189
Deposits					
Crown Entities	$ 129,778	$ 127,556	$ 106,316	$ 649,089	$ 135,178
Sinking Funds	21,178	20,193	19,682	18,837	18,340
Conditional Receipts	--	--	--	6,449	1,644
Redemption of Sinking Funds	--	--	11,316	18,362	--
Total Deposit Receipts	$ 150,956	$ 147,749	$ 137,314	$ 692,737	$ 155,162
Total Receipts	$ 235,405	$ 530,420	$ 869,509	$ 2,593,221	$ 2,036,330

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity

	For the Year Ended March 31				
Disbursements	**1985**	**1986**	**1987**	**1988**	**Preliminary 1989**
	(Thousands of Dollars)				**(unaudited)**
Loans					
Agricultural Credit Corporation of Saskatchewan	$ --	$ 1,045,645	$ 158,400	$ 400,000	$ --
Crown Investments Corporation of Saskatchewan	158,000	114,728	266,158	792,145	645,523
Potash Corporation of Saskatchewan	--	160,517	65,255	--	--
Saskatchewan Municipal Financing Corporation	54,723	--	--	--	--
Saskatchewan Economic Development Corporation	--	--	26,000	7,000	3,919
Saskatchewan Housing Corporation	9,391	--	--	--	--
Saskatchewan Power Corporation	80,386	212,507	241,111	67,736	69,234
Saskatchewan Property Management Corporation	--	--	181,993	158,844	144,300
Saskatchewan Telecommunications	14,497	--	32,598	13,597	20,779
Saskatchewan Mining Development Corporation	82,950	48,853	32,628	61,705	--
Other	161,314	328,884	147,666	89,066	475,984
Total Loan Disbursements	$ 561,261	$ 1,911,134	$ 1,151,809	$ 1,590,093	$ 1,359,739
Investments					
NewGrade Energy Inc	$ 734	$ --	$ --	$ --	$ --
Investment in Agricultural Land and Related Assets	577	585	429	944	745
Crown Investments Corporation of Saskatchewan	--	--	--	77,583	719,485
Other	1,715	240	300	--	16
Total Investment Disbursements	$ 3,026	$ 825	$ 729	$ 78,527	$ 720,246
Deposits					
Crown Entities	$ 160,443	$ 87,304	$ 141,207	$ 520,876	$ 205,840
Sinking Funds	21,836	20,749	20,238	19,260	18,460
Conditional Receipts	380	928	648	--	5,730
Total Deposit Disbursements	$ 182,659	$ 108,981	$ 162,093	$ 540,136	$ 230,030
Total Disbursements	$ 746,946	$ 2,020,940	$ 1,314,631	$ 2,208,756	$ 2,310,015
Total Excess of Receipts Over Disbursements	$ (511,541)	$ (1,490,520)	$ (445,122)	$ 384,465	$ (273,685)

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Financing and Changes in Financial Position

	For the Year Ended March 31				
	1985	1986	1987	1988	Preliminary 1989
	(Thousands of Dollars)				(unaudited)
Cash Requirement					
Revenue and Expenditure					
Revenue	$ 2,915,558	$ 3,049,071	$ 2,800,518	$ 3,295,798	$ 3,695,125
Expenditure	3,295,354	3,627,948	4,032,661	3,838,245	4,019,519
	$ (379,796)	$ (578,877)	$ (1,232,143)	$ (542,447)	$ (324,394)
Loan, Investment and Deposit					
Receipts	$ 235,405	$ 530,420	$ 869,509	$ 2,593,221	$ 2,036,330
Disbursements	746,946	2,020,940	1,314,631	2,208,756	2,310,015
	$ (511,541)	$ (1,490,520)	$ (445,122)	$ 384,465	$ (273,685)
Less: Non-cash Gain on a Swap of Foreign Currency Debt	$ --	$ --	$ --	$ --	$ 43,773
Net Cash Requirement	$ (891,337)	$ (2,069,397)	$ (1,677,265)	$ (157,982)	$ (641,852)
Financing					
Proceeds from Debt	$ 4,530,114	$ 6,940,974	$ 10,563,646	$ 10,620,152	$ 11,626,341
Repayment of Debt	3,687,570	4,987,613	8,996,779	10,112,438	11,038,201
	$ 842,544	$ 1,953,361	$ 1,566,867	$ 507,714	$ 588,140
Net Increase (Decrease) in Cash, Short-term Loans and Investments	$ (48,793)	$ (116,036)	$ (110,398)	$ 349,732	$ (53,712)
Write-down of Short-term Investment	(1,221)	--	--	--	--
Cash, Short-term Loans and Investments, Beginning of Year	372,797	322,783	206,747	96,349	446,081
Cash, Short-term Loans and Investments, End of Year	$ 322,783	$ 206,747	$ 96,349	$ 446,081	$ 392,369

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Notes to the Financial Statements

1. Significant Accounting Policies

General Policies

1a. Reporting Entity

These financial statements represent a combination of the financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund. The combined financial statements have been designed primarily to provide an accounting of the financial resources appropriated by the Saskatchewan Legislature from the Funds. The Consolidated Fund is the general fund into which all revenues over which the Legislative Assembly of Saskatchewan has power of appropriation flow unless the Legislative Assembly has directed otherwise. The Saskatchewan Heritage Fund is a fund established by the Legislative Assembly to receive all nonrenewable resource revenues and certain other revenues as specified in *The Heritage Fund (Saskatchewan) Act*.

These financial statements are not intended to be summary financial statements that provide a full accounting of the financial affairs and resources of all the entities for which the Government of Saskatchewan is responsible. The financial transactions of other Crown entities such as provincial Crown corporations, agencies, boards and commissions are reported separately. Only those transactions pertaining to the receipts of money from or payment of money to the Consolidated or the Saskatchewan Heritage Funds are reflected in these statements. Accumulated surpluses or deficits of these entities are not included.

Various special purpose and other funds are administered by the Minister of Finance. Included within these funds are superannuation funds over which the Minister provides general administrative support, trust monies held for third parties under various arrangements, and special purpose monies held for specified uses. The assets, liabilities, operations and residual balances of these are maintained and reported separately from those of the reporting entity.

1b. Principles of Combination

The financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund are combined. Transactions between the funds, such as the fund dividend paid to the Consolidated Fund by the Saskatchewan Heritage Fund, are eliminated.

1c. Basis of Accounting

The financial statements are prepared using a modified cash basis for a fiscal year commencing on April 1 and ending on March 31. Revenues are recorded as received and expenditures are charged to the accounts when payments are made. In addition, revenues received in the 30 days of April in respect of revenue raised up to March 31 of the preceding fiscal year are taken into revenue of the preceding fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal year are reported as expenditures of the preceding fiscal year.

1d. Classification of Financial Transactions

In accounting for the financial transactions, a distinction is drawn between those transactions which affect the net debt and those which affect recorded assets and liabilities. The net debt is the difference between recorded liabilities and assets and represents the difference between accumulated revenues and accumulated expenditures. Revenues and expenditures affect the net debt; financing activities and transactions which arise from the financing activities (lending and investing) affect recorded assets and liabilities. Accordingly, transactions are recorded within three categories: Revenue and Expenditure, Lending and Investing, and Financing Activities.

- Revenue and Expenditure

Revenue and expenditure relate to normal operating activities.

- Revenue

Revenue includes revenues raised through taxation, premiums, fees, licences and permits, receipts from the Federal government under fiscal arrangements and shared-cost programs, income from investments and dividends or transfers from other funds and gains on the sale of certain agricultural lands.

- Expenditure

Expenditure includes payments for goods and services, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, the acquisition or construction of fixed assets, and interest on public debt and lease payments to the Saskatchewan Property Management Corporation for accommodations, furnishings and equipment. Payments for the acquisition of those fixed assets, which are not leased from the Property Management Corporation, are also charged to expenditure.

- Lending and Investing

These transactions result from lending and investing functions which include lending and investing activity in Crown entities, other organizations, individuals, in Agricultural Land and Related Assets acquired for resale and the administration of funds held for certain Crown entities.

- Financing Activities

Financing activities are the borrowing and repayment transactions and include borrowing on behalf of Crown entities.

- Assets and Liabilities

The majority of the assets and liabilities recorded in the statements are a result of the intermediary activity of borrowing on behalf of Crown entities. In general terms assets consist of cash, short-term investments and loans to or investments in Crown entities and other organizations and individuals.

The Saskatchewan Property Management Corporation is responsible for certain aspects of capital asset management including the acquisition, maintenance and disposal of accommodations, furnishings and

equipment for the government. These assets are provided to government departments on a lease basis. Other capital assets are treated as expenditure in the year of purchase.

Liabilities consist of promissory notes, Treasury bills and debentures to be repaid to outside parties and amounts that are due to provincially created Crown entities.

- Revolving Fund Transactions

Various revolving funds have been established to provide services to government departments or the public. Each of these has statutory authority to make payments out of the Consolidated Fund for the provision of specified services.

Except for transactions relating to loans and advances to third parties, any net cash expenditure on behalf of a revolving fund is classified as an expenditure. Any net cash revenue is classified as a reduction in expenditures. Loans to third parties are classified as lending and investment transactions, and any amounts outstanding are shown as an asset.

Specific Policies

1e. **Cash and Short-Term Investments**

- Cash

Cash is the balance on hand in the Consolidated Fund and Saskatchewan Heritage Fund at March 31, adjusted in accordance with the modified cash basis of accounting as described in Note 1c.

- Short-Term Investments

Short-term investments represent those investments purchased under authority of *The Financial Administration Act* and *The Heritage Fund (Saskatchewan) Act*. These investments consist mainly of chartered bank notes, Treasury bills, commercial paper and bonds maturing within one year.

Short-term investments are carried at cost. Any gain (loss) on disposal of short-term investments is recorded as revenue (expenditure).

1f. **Short-Term Loans to Crown Entities**

These represent interest bearing loans made for a period of less than one year. Short-term loans are valued at cost.

Interest received from Crown entities on short-term loans is applied to offset the interest paid on the public debt.

1g. **Loans to Crown Entities**

These loans are made for a period of greater than one year to Crown corporations and generally have fixed terms of repayment.

Loans are valued at cost. Loans in foreign currency are converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. In cases where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan will be written down. All write-downs are charged directly to net debt.

Where debentures are issued to obtain funds for making loans, the Crown entities are required to provide the funds to repay debt. Where sinking fund requirements are attached to the underlying debt issue, Crown entities must reimburse the Consolidated Fund for payments made to the sinking fund. The Crown entities' equity in the sinking funds reduces the recorded value of loans.

Interest received from Crown entities is applied to offset the interest expense on the debt issues.

1h. **Other Loans**

These loans are subject to a variety of interest rates and terms of repayment.

These loans are carried at cost and are revalued when it becomes evident that they are uncollectible. All write-downs are charged directly to net debt.

Interest received from these loans is recorded as revenue.

1i. **Investments in Crown Entities**

Investments in Crown entities represent long-term equity advances which are non-interest bearing and have no fixed terms of repayment.

Investments are valued at original cost. Revaluation of the investment will occur when the liabilities of the Crown entity significantly exceed the net realizable value of its assets and the accumulated deficit is not funded by appropriation. All write-downs reducing the carrying value of the investment are charged directly to net debt.

Dividends from the investments are recorded as revenue.

1j. **Investment in Agricultural Land and Related Assets**

The Heritage Fund (Saskatchewan) Act transferred the assets and liabilities of the former Saskatchewan Land Bank Commission to the Agricultural Division of the Saskatchewan Heritage Fund effective April 1, 1983. Investment in Agricultural Land and Related Assets represents the cost of land and improvements held for resale.

Sales of these lands and improvements are recorded as a recovery of investment in amounts equal to the cost and any gains are recorded as revenue when received. Where the sale involves a long-term sales agreement, the amount equal to the cost of the investment sold is recorded as an asset; any amount due in respect of a gain on the sale is recorded as revenue only upon collection. Any loss on the sale of these lands and improvements is charged directly to equity.

1k. **Other Investments**

These investments are carried at cost and will be revalued when it becomes evident that there has been a permanent reduction in the value of the investment.

Any write-down of an investment is charged directly to net debt.

1l. **Public Debt**

Public debt represents obligations arising from borrowing activities to finance operations or to finance

loans to Crown entities. Public debt consists of promissory notes, Treasury bills and debentures.

- Borrowing on Behalf of Crown Entities

Where debt is acquired for the purpose of funding loans to Crown entities, the funds required to repay the principal amount of the debt attributable to these entities are reimbursed by them. All debentures due in foreign currency will be repaid when due by these entities in requisite amounts.

Because this debt is reimbursable, interest received from the Crown entities is offset against the interest paid on the debt.

- Investment in Agricultural Land

Debt acquired for the purpose of financing the Investment in Agricultural Land is considered to be fully reimbursable from the proceeds from the sale of the Agricultural Lands to be received by the Saskatchewan Heritage Fund. The interest paid on the public debt which is considered to be fully reimbursable from the lease fee revenue on the lands, received in the Farm Purchase Program Fund, is offset against the interest paid on the debt. To the extent lease fees are insufficient for this purpose, an appropriation of funds from the Saskatchewan Heritage Fund is made to cover the deficiency.

- Promissory Notes

Promissory notes are issued to cover temporary insufficiencies of the Consolidated Fund and for funding short- term loans to Crown entities.

Promissory notes are carried at face value.

In the year of issue, discounts are charged to expenditure.

- Treasury Bills

Treasury bills are issued to cover temporary insufficiencies of the Consolidated Fund.

Treasury bills are carried at par.

In the year of issue, discounts are charged to expenditure.

- Debentures

Debentures are issued to finance operations and for funding long-term loans to Crown entities.

Debentures are carried at par. In the year in which debentures are issued, discounts are charged to expenditure and any premiums are recorded as revenue. Where borrowing is made to finance loans to Crown entities, all expenses including discounts are charged directly to the Crown entities and premiums are paid to the Crown entities. For reporting purposes, all debentures due in foreign currency have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31.

Many public debentures issued require payments into a sinking fund.

- Sinking Funds

The Consolidated Fund assumes direct responsibility for all payments to sinking funds; however, the Consolidated Fund is reimbursed by Crown entities for all sinking fund payments made on debt incurred on their behalf.

The sinking funds invest in Province of Saskatchewan debentures, other provincial government or provincial government guaranteed securities, federal government or federal government guaranteed securities, or high grade Canadian municipal securities until such time as the monies are required for retirement of debt. The sinking funds are subject to noncash calculations regarding earnings in accordance with the following accounting policies:

- Interest income is recorded on an accrual basis.
- Premium/discount on long-term investments is amortized by type of security to maintain a constant yield over the life of the investment.
- Gains/losses on the sale of long-term investments are recognized in the period the sale was transacted.

Earnings of the sinking funds are retained within the sinking funds and, accordingly, are not recorded as revenue but are credited directly to net debt.

1m. **Amounts Payable to Crown Entities**

These represent amounts held on deposit in the Consolidated Fund on behalf of certain Crown entities.

1n. **Conditional Receipts**

Funds are received for which the ultimate disposition is not immediately known or which are subject to some future action beyond the control of the payor. These funds are deposited to the credit of a liability account entitled "Conditional Receipts".

1o. **Interest on Public Debt**

Interest on public debt includes interest paid on promissory notes, Treasury bills and debentures, but does not include interest on public debt borrowed on behalf of Crown entities (Note 1f, 1g). Total interest expense is $1,011,091,000 of which $691,080,000 is reimbursed from the other Crown entities resulting in a net charge to the Consolidated Fund of $320,011,000.

2. Additional Information

2a. **Contingencies**

- Guaranteed Debt

The Government of Saskatchewan has explicitly guaranteed the repayment of the principal and interest of certain bonds, debentures and loans of various organizations including Crown entities. The total principal portion of all guaranteed debt at March 31, 1989 was $1,084,093,000 ($885,042,000 at March 31, 1988).

The guaranteed debt is not a recorded liability. If events occur which require the Government to assume the repayment of the debt, the payment is recorded as an expenditure of the Consolidated Fund. At March 31, 1989 there were no organizations in receivership whose debt had been guaranteed.

- Litigation Matters at March 31, 1989

The Province has been named in a claim by the Canadian National Railway. Approximately $13 million is claimed by way of recovery of Education and Health Tax collected with respect to railroad rolling stock and repair bills which the plaintiff now alleges are not incorporated in the Act.

The Province has also been named in a claim filed by the Consumers Co-operative Refineries Limited. The claim is for $23 million and relates to an Oil and Gas Incentives Grant dispute.

The Province has also been named in a claim filed by Chief Myles Venne on behalf of the members of the Lac La Ronge, James Roberts and Amos Charles Indian Bands against the Government of Canada and Government of Saskatchewan. The claim is for approximately 250,000 acres of land in Saskatchewan based on entitlement under Treaty No. 6. The outcome of this action is uncertain and the likely loss to the Province, if any, cannot be determined.

The Province is also named as defendant in various other legal actions, relating to amounts in excess of $500,000 totalling approximately $5.0 million. The outcome of these actions is uncertain and the likely loss to the Province, if any, cannot be determined.

- Crop Reinsurance Fund of Saskatchewan

The Consolidated Fund is liable for funding any deficiency arising in the Crop Reinsurance Fund of Saskatchewan. As at March 31, 1989, the Crop Reinsurance Fund of Saskatchewan had a $128.8 million deficit as a result of crop insurance claims in excess of the accumulated surplus of the Saskatchewan Crop Insurance Corporation - Insurance Operation and the Crop Reinsurance Fund of Saskatchewan. The likelihood of payment to the Crop Reinsurance Fund of Saskatchewan is dependent upon the future level of claims in relation to premiums and, therefore, is not determinable at this time.

2b. **Saskatchewan Liquor Board Profits**

The Consolidated Fund receives a portion of the profits of the Saskatchewan Liquor Board as determined from time to time by Treasury Board.

2c. **Equalization Payment**

Subsequent to March 31, 1982 the Federal Government amended its calculation of equalization payments. The amendment resulted in the Province being overpaid by $117,400,000 in total. By agreement with the Federal Government, this amount was repaid through reduction of other federal transfer payments over a five year period ending March 31, 1987.

2d. **Superannuation**

For certain pension plans, part of the benefits and/or deficiency arising when the benefits exceed the assets available in the plans are payable out of the Consolidated Fund.

The following is a brief description of these plans:

- Public Service Superannuation Plan

This is an unfunded plan. All employee contributions are recorded as revenue of the Consolidated Fund, and all payments required are recorded as expenditures of the Consolidated Fund.

- Public Employees (Government Contributory) Superannuation Fund

This is a funded plan, with member contributions being matched by the applicable employer. The employer's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, no unfunded liability accrues.

- Public Employees (Government Contributory) Annuity Fund

In 1985-86 *The Superannuation (Supplementary Provisions) Act* was amended creating the Public Employees (Government Contributory) Annuity Fund. The related assets and accumulated balances of members who have chosen this annuity option were transferred to the annuity fund from the Public Employees (Government Contributory) Superannuation Plan and all annuities are paid out of the Fund. Upon retirement, an employee is entitled to receive a guaranteed life annuity provided by the amount standing to his credit in the Fund at the time.

- Teachers' Superannuation Fund

Teacher contributions are paid into a separate fund, with allowances and benefits being made from the fund. Teacher contributions on and after July 1, 1980 with matching contributions from the Consolidated Fund are also paid into the Fund. Any deficiency arising when retirement benefits and allowances exceed the assets available in the Fund is payable from the Consolidated Fund.

- Teachers' Annuity Fund

This is a funded plan for teachers who had never taught in the provincial school system prior to July 1, 1980 and enter the school system after that date. Teacher contributions are matched by payments from the Consolidated Fund. Contributions are paid into a separate fund, with allowances and refunds being made from the fund based upon the contribution made and investment earnings allocated. Since benefits are based on accumulated contributions to the fund, no unfunded liability accrues.

- Teachers' Supplementary Allowances Fund

This fund was created in conjunction with the Teachers' Annuity Fund. A designated portion of contributions made by teachers into the Annuity Fund is paid into the Teachers' Supplementary Allowances Fund for the purpose of increasing allowances for cost of living and to pay survivor benefits to dependents of teachers. Teacher contributions are matched by payments from the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, no unfunded liability accrues.

- Members of the Legislative Assembly Superannuation Fund

This is a funded plan, with member contributions being matched by the Consolidated Fund, which also pays an annual amount and any other amounts that may be appropriated. Contributions are paid into a separate fund, with allowances and refunds being made from the fund. Any deficiency arising when the benefits exceed the assets available in the fund is payable from the Consolidated Fund.

- Judges of the Provincial Court Superannuation Fund

Employee contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. Any deficiency arising when the benefits exceed the assets available in the fund is payable from the Consolidated Fund.

Annuities and allowances made under *The Magistrates Court Act* (repealed) are also paid out of the Judges of the Provincial Court Superannuation Fund. Employees do not make contributions. The Consolidated Fund reimburses the Judges of the Provincial Court Superannuation Fund for all payments to superannuates.

- Anti-Tuberculosis League Employees Superannuation Fund

Employee contributions are matched by The Saskatchewan Anti-Tuberculosis League. Contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. Any deficiency arising when the benefits exceed the assets available in the fund is payable from the Consolidated Fund.

- Saskatchewan Transportation Company Employees Superannuation Fund

Employee contributions are matched by the Saskatchewan Transportation Company. Contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. Any deficiency arising when benefits exceed the assets available in the fund is payable from the Consolidated Fund.

- Saskatchewan Pension Plan

In 1986-87, the Saskatchewan Pension Plan was created. The plan is voluntary and open to all residents of the Province of Saskatchewan who are between the ages of 18 and 65. Contributions of members are matched by payments from the Consolidated Fund on the basis of an income related formula to a maximum of $300 annually.

Benefits are based on accumulated contributions to the fund, and accordingly, there is no residual obligation except for any amounts required to supplement the fund for the guaranteed minimum pension. The minimum pension is limited to $15 per month for each year of contribution to the plan.

The following is a summary of the unfunded liability in respect of these pension plans as indicated in the most recent actuarial reports:

(Thousands of Dollars)

	Date of Report	Liability As At	Unfunded Liability
Public Service Superannuation Plan	Nov./86	Mar./86	$ 646,615
Public Employees (Government Contributory) Superannuation Plan	--	--	--
Teachers' Superannuation Fund	Nov./86	June/86	1,279,000
Teachers' Annuity Fund	--	--	--
Teachers' Supplementary Allowances Fund	--	--	--
Members of the Legislative Assembly Superannuation Fund	Jan./87	Mar./86	15,696
Judges of the Provincial Court Superannuation Fund	Jan./83	Jan./83	6,330
Anti-Tuberculosis League Employees Superannuation Fund	Jan./85	Mar./84	1,238
Saskatchewan Transportation Company Employees Superannuation Fund	Jan./85	Mar./84	3,816
Saskatchewan Pension Plan	--	--	--
			$1,952,695

2e. **Legal Defeasance**

During 1986-87, $89.3 million, due December 30, 2004, bearing an interest rate of 9 5/8% per annum, was advanced to Saskatchewan Power Corporation. Saskatchewan Power Corporation completed a legal defeasance of this Advance by placing a promissory note receivable with identical terms to the Advance into an irrevocable trust to be used solely for satisfying the principal and interest payments on the Advance. The promissory note is receivable from an unrelated third party and is guaranteed by the Government of Saskatchewan under a previous agreement. Although the promissory note has been accepted as full and final satisfaction of the Advance, the promissory note remains in the irrevocable trust. Accordingly, these financial statements will continue to reflect a receivable from the Saskatchewan Power Corporation Trust until such time as all claims against the Trust are extinguished.

2f. **The Saskatchewan Property Management Corporation**

The Saskatchewan Property Management Corporation is responsible for certain aspects of capital asset management including acquisition, maintenance and disposal of accommodations, furnishing and equipment for the government. During 1988-89 the Consolidated Fund paid approximately $122,037,000 ($134,488,000 in 1987-88) to the Saskatchewan Property Management Corporation for goods and services received.

2g. **Comparative Information**

Certain of the 1985 to 1988 figures have been reclassified to conform with the current year presentation; however, with regard to expenditures of prior years, the figures are reported on the same basis as the estimates of the prior years.

Government of the Province of Saskatchewan
Statement of Total Debt

	At March 31				
	1985	1986	1987	1988	Preliminary 1989
	(Thousands of Dollars)*				(unaudited)
Promissory Notes (for the purpose of)					
Crown Corporations**	$ 329,378	$ 1,463,470	$ 1,368,117	$ 955,506	$ 514,109
Government of Saskatchewan	282,622	317,130	394,498	243,874	994,541
Total Promissory Notes	$ 612,000	$ 1,780,600	$ 1,762,615	$ 1,199,380	$ 1,508,650
Treasury Bills (for the purpose of)					
Crown Corporations**	$ 4,540	$ 2,400	$ --	$ --	$ --
Government of Saskatchewan	455,000	651,000	650,000	650,000	650,000
Total Treasury Bills	$ 459,540	$ 653,400	$ 650,000	$ 650,000	$ 650,000
Debentures (for the purpose of)					
Crown Corporations**	$ 4,717,067	$ 5,056,393	$ 5,503,513	$ 5,811,003	$ 5,844,494
Government of Saskatchewan	443,848	714,362	1,696,966	2,368,629	2,574,827
Other** - Federal/Municipal	9,106	8,184	7,399	6,783	6,233
- University of Saskatchewan	2,256	2,249	2,242	2,234	2,226
- Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
Total Debentures	$ 5,356,713	$ 5,965,624	$ 7,394,556	$ 8,373,085	$ 8,612,216
Gross Debt	$ 6,428,253	$ 8,399,624	$ 9,807,171	$10,222,465	$ 10,770,866
Less: Equity in Sinking Funds (for the purpose of)					
Crown Corporations	$ 323,654	$ 375,235	$ 402,835	$ 444,541	$ 419,339
Government of Saskatchewan	28,962	32,772	24,464	9,073	10,193
Other - University of Saskatchewan	589	705	811	938	1,077
Total Equity in Sinking Funds	$ 353,205	$ 408,712	$ 428,110	$ 454,552	$ 430,609
Net Public Debt	$ 6,075,048	$ 7,990,912	$ 9,379,061	$ 9,767,913	$ 10,340,257
Guaranteed Debt	465,354	493,175	551,226	885,042	1,084,093
Total Debt	$ 6,540,402	$ 8,484,087	$ 9,930,287	$10,652,955	$ 11,424,350

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.
** These enterprises are responsible for the repayment of principal and interest.

Government of the Province of Saskatchewan
Gross Debt by Allocation

	At March 31				
	1985	1986	1987	1988	Preliminary 1989
		(Thousands of Dollars)*			(unaudited)
Reimbursable Debt					
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	$ 169,843	$ 1,215,488	$ 1,263,843	$ 1,040,743	$ 772,343
Agricultural Development Corporation	7,878	--	--	2,000	3,200
Crown Investments Corporation of Saskatchewan	623,763	706,939	745,848	1,433,519	1,617,187
Municipal Financing Corporation of Saskatchewan	54,723	57,724	76,724	82,924	100,623
Potash Corporation of Saskatchewan**	371,938	484,782	573,734	--	--
Saskatchewan Economic Development Corporation	48,147	68,947	57,671	106,311	102,642
Saskatchewan Government Printing Company	--	2,176	2,100	2,100	2,100
Saskatchewan Housing Corporation	317,304	317,304	317,304	317,304	317,304
Saskatchewan Mining Development Corporation***	501,382	555,956	558,317	370,060	--
Saskatchewan Oil and Gas Corporation	25,000	--	--	--	--
Saskatchewan Power Corporation	2,151,206	2,338,200	2,316,210	2,296,159	2,255,457
Saskatchewan Property Management Corporation	--	--	181,993	340,836	385,136
Saskatchewan Telecommunications	764,925	759,871	760,510	758,716	756,274
Saskatchewan Water Corporation	14,876	14,876	17,376	15,837	46,337
Total Crown Corporations	$ 5,050,985	$ 6,522,263	$ 6,871,630	$ 6,766,509	$ 6,358,603
Other					
Federal/Municipal	$ 9,107	$ 8,184	$ 7,399	$ 6,783	$ 6,233
Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
University of Saskatchewan	2,256	2,249	2,242	2,234	2,226
Total Other	$ 195,799	$ 194,869	$ 194,077	$ 193,453	$ 192,895
Total Reimbursable Debt	$ 5,246,784	$ 6,717,132	$ 7,065,707	$ 6,959,962	$ 6,551,498
Non-Reimbursable Debt					
Government of Saskatchewan	$ 1,181,469	$ 1,682,492	$ 2,741,464	$ 3,262,503	$ 4,219,368
Gross Debt	$ 6,428,253	$ 8,399,624	$ 9,807,171	$10,222,465	$10,770,866

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

** During the 1987-88 fiscal year the Potash Corporation of Saskatchewan repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

*** During the 1988-89 fiscal year, Saskatchewan Mining Development Corporation repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

Crown Investments Corporation of Saskatchewan

Introduction

Saskatchewan's Crown corporations are involved in a broad range of activities including the provision of electricity and natural gas, telecommunications, resource development and financial and other services. Certain Crown corporations are commercial enterprises intended to be self-sustaining while others receive an annual appropriation to cover costs of administration and other expenses.

Traditionally the capital requirements of the Province's enterprises have been financed, with few exceptions, through direct obligations of, or advances by, the Province. Provincial legislation governing certain Crown corporations provides for the issuing of securities by these enterprises, with or without a Provincial guarantee. Pursuant to *The Financial Administration Act* all borrowings by Provincial Crown corporations must be approved by the Minister of Finance for Saskatchewan.

Loans and advances to, and investments in, Crown corporations made by the Province are carried at cost without allowance for their individual accumulated surpluses or deficits. In cases where liabilities of a Crown corporation significantly exceed the estimated realizable value of its assets, the loan or investment will be written down.

For administrative purposes, Saskatchewan's Crown corporations are categorized into two separate groups. The commercial enterprises are under the purview of Crown Investments Corporation of Saskatchewan (see narrative below). All other Crown corporations report directly to Treasury Board which is a committee of Cabinet.

Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan (CIC) is a Provincial Crown corporation, without share capital, operating under authority of *The Crown Corporations Act, 1978.* CIC is responsible for administering Saskatchewan government policy as it relates to those Crown corporations designated by Order-in-Council as being within the CIC group. At December 31, 1988, there were thirteen designated. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets.

As a group, the corporations reported net income of $437 million for 1988 compared with a net income of $104 million for 1987. Significant profit improvements in the major utility and resource corporations were the main contributors to the improved performance in 1988.

During 1988, capital expenditures by the corporations totalled $566 million, compared with $443 million in 1987. Since 1982, capital spending of Crown corporations has amounted to $4,350 million, an average of $621 million per year. In addition, taxes and royalty payments made to the Province by the corporations were $91 million in 1988 compared with $81 million in 1987.

During 1988, total revenues were $2,143 million, approximately equal to the $2,114 million in the previous year. Total assets under the administration of CIC grew from $7.2 billion (restated) in 1987 to $7.3 billion in 1988.

Four corporations - Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Mining Development Corporation, and Potash Corporation of Saskatchewan - constituted approximately 84 per cent of the total assets of the CIC consolidated group as at December 31, 1988. The following is a brief description of each of these corporations and comments on their 1988 operations.

a) **Saskatchewan Power Corporation**

Saskatchewan Power Corporation (SPC) was established by Order-in-Council in 1949 and formalized as a Crown corporation by an Act of the Legislative Assembly passed in 1950. SPC provides electricity and natural gas to the residents of Saskatchewan.

In 1988, SPC achieved record net income of $292 million including an extraordinary gain of $172 million from the sale of underutilized gas reserves to Saskatchewan Oil and Gas Corporation (Saskoil). Sales proceeds were used to retire high coupon debt. As a result the Corporation's overall debt load has decreased for the first time since the early 1970's. Lower debt and higher earnings significantly improved the Corporation's financial condition in 1988 with the debt-to-equity ratio declining to a more manageable level in 1988.

Consolidated revenues for the year totalled $910 million or 5.4 per cent higher than 1987. Electrical revenues increased by 13.1 per cent. Gas revenues, however, were 2.6 per cent lower due mainly to abnormally warm weather during most of the 1988 heating season. Consolidated expenses of $788 million, including finance charges, were 4.7 per cent lower than 1987. Lower finance charges more than offset the higher cost of generating electricity caused by the abnormally low river flows. Capital expenditures totalling $315 million were mainly funded from the highly successful Power Plus Bonds Issue. More than 42 thousand Saskatchewan residents purchased the bonds totalling $296 million of which 43 per cent can be exchanged for Saskoil common shares.

SPC continued during 1988 to provide efficient, reliable and economical service. The Corporation's Rural Underground Distribution program which is designed to replace aging rural overhead lines with more reliable underground electrical service was in its fourth year in 1988. The Saskatchewan Natural Gas Distribution program also continued during 1988 providing natural gas to SPC's rural Saskatchewan customers.

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position

	At December 31				
	1984	1985	1986	1987	1988
	(Thousands of Dollars)				
			(Note 1)	(Note 2)	
Assets					
Current	$ 769,700	$ 751,208	$ 759,229	$ 863,117	$ 865,748
Investments	470,254	492,078	704,763	882,433	1,538,655
Property, Plant and Equipment	5,172,967	5,508,219	5,559,805	5,283,506	4,768,227
Deferred Charges	274,266	311,197	275,880	143,867	102,453
Total Assets	$ 6,687,187	$ 7,062,702	$ 7,299,677	$ 7,172,923	$ 7,275,083
Liabilities and Province's Equity					
Current	$ 1,117,326	$ 1,403,442	$ 1,342,386	$ 1,833,628	$ 1,062,745
Deferred Revenue and Minority Interest	109,363	76,280	242,972	252,490	309,985
Long-term Debt	3,991,085	4,285,610	4,537,083	4,053,506	4,279,451
Province's Equity	1,469,413	1,297,370	1,177,236	1,033,299	1,622,902
Total Liabilities and Province's Equity	$ 6,687,187	$ 7,062,702	$ 7,299,677	$ 7,172,923	$ 7,275,083

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations

	For the Year Ended December 31				
	1984	1985	1986	1987	1988
	(Thousands of Dollars)				
			(Note 1)	(Note 2)	
Revenue					
Sales of Products and Services	$ 1,994,592	$ 1,996,406	$ 1,979,941	$ 1,907,840	$ 1,987,261
Investment Income	56,223	69,836	62,017	130,987	77,965
Other	61,105	72,069	73,597	75,645	77,371
Total Revenue	2,111,920	2,138,311	2,115,555	2,114,472	2,142,597
Expenses					
Operating Costs Other Than Those Listed Below	1,229,264	1,316,911	1,326,269	1,121,284	1,106,891
Interest	426,872	484,468	527,880	520,652	485,085
Depreciation and Depletion	271,394	282,724	305,984	287,575	276,322
Saskatchewan Taxes and Resource Payments	125,082	114,359	94,098	80,927	90,598
Total Expenses	2,052,612	2,198,462	2,254,231	2,010,438	1,958,896
Earnings before Extraordinary Items and Minority Interest	59,308	(60,151)	(138,676)	104,034	183,701
Extraordinary Items and Minority Interest	7,684	(19,094)	1,462	--	253,132
Net Income (Loss)	$ 66,992	$ (79,245)	$ (137,214)	$ 104,034	$ 436,833

Note 1: The 1986 financial statements were changed to reflect an addition to the previously recorded minority interest. The result of this adjustment to the 1986 accounts is an increase of $9 million in minority interest in subsidiary and a decrease of $9 million in reinvested earnings.

Certain of the other 1986 comparative figures have been reclassified to conform with the current period presentation.

Note 2: The 1987 financial statements were changed to reflect changes to accounting policies relating to deferred exploration and development expenditures and in accounting for customer contributions and gas inventories. There was no effect on 1987 net income as a result of these changes.

b) **Saskatchewan Telecommunications**

Saskatchewan Telecommunications (SaskTel) constructs, maintains and operates a provincial telecommunications system in concert with similar systems throughout Canada. SaskTel's objective is to serve the communications needs of Saskatchewan residents economically and effectively.

SaskTel's strong financial performance in 1988 resulted in record net earnings of $70.1 million. This was due to cost reduction measures combined with the continued streamlining of operations and increased revenues. Careful management of the Corporation's resources has allowed SaskTel to improve the quality of customer services and to generate new business growth while keeping expenditures down.

Two of the largest projects ever undertaken by SaskTel were well under way in 1988 - the $264 million Rural Individual Line Service program and a related $128 million Digital Switching Upgrading program. Under a third program, an additional $146 million is being invested in a network conversion program which will upgrade the remaining central offices and connecting transmission facilities to digital operation by 1995. Another $3.2 million will be invested to provide individual line service to 43 small communities across northern Saskatchewan. Twelve of these communities currently do not have telephone service. The program will be completed by 1995.

The emergence of a new well-defined strategy for business, the benefit of a skilled workforce, and the use of modern technologies to increase productivity, have made it possible for SaskTel to respond more quickly and efficiently to traditional as well as new customer demands. At the end of 1988, SaskTel had 747 thousand telephones in service. Customers placed 125.8 million long distance calls during the year, compared to 117.2 million in 1987.

c) **Saskatchewan Mining Development Corporation**

On February 22, 1988 CIC, Canada Development Investment Corporation, the Government of Saskatchewan and the Government of Canada signed a Letter of Intent providing for the merger of Saskatchewan Mining Development Corporation (SMDC) and Eldorado Nuclear Limited (Eldorado). Enabling legislation was subsequently passed by both Governments during the summer of 1988, and the final merger agreement was signed on October 5, 1988.

As part of the merger agreement, substantially all of the operating assets of SMDC and Eldorado, as well as certain working capital items relating to operations, were sold to Cameco - A Canadian Mining & Energy Corporation (Cameco) at fair market value. In exchange, SMDC and Eldorado received common shares and promissory notes from Cameco in amounts proportionate to ownership. In addition, Cameco assumed certain operating liabilities of SMDC and Eldorado. The total consideration given to SMDC included 6.15 million common shares and a $358 million promissory note. SMDC also received one Class B Share which will allow SMDC to exercise special voting rights regarding the location of the Cameco head office. At December 31, 1988, SMDC owned 61.5 per cent of the outstanding shares of Cameco, and Eldorado owned 38.5 per cent. Cameco repaid the promissory notes held by SMDC and Eldorado on December 29, 1988, using proceeds from a private debt issue.

In 1988, SMDC reported net income of $254.8 million which included $48.8 million from operations as well as a $206 million accounting gain on the issue of shares by Cameco.

d) **Potash Corporation of Saskatchewan**

Potash Corporation of Saskatchewan (PCS) is the western world's largest producer of potash. Potash is a major component of agricultural fertilizer.

PCS, through its wholly owned subsidiary, Potash Corporation of Saskatchewan Mining Limited (PCS Mining), has five operating divisions at five separate mine sites. Three mines are wholly owned, one mine is 60 per cent owned, and one holding is in the form of ownership of potash ore reserves which are processed under a long-term operating agreement with International Minerals and Chemical Corporation.

Potash Corporation of Saskatchewan Sales Limited (PCS Sales), a wholly owned subsidiary of PCS, directly markets PCS's production to the United States and within Canada. The remaining potash is sold through Canpotex Limited, a marketing group representing all Saskatchewan potash producers that sell potash outside North America.

PCS had net income of $106 million in 1988, an improvement of $127 million over 1987's loss of $21 million. Operating income before interest and taxes was $139 million, compared with $28 million in 1987 while sales revenue was $365 million compared with $256 million in 1987.

PCS's mining operations had an excellent year. A new record of 5.1 million tonnes was reached, more than half a million tonnes higher than the previous record production of 1987. New records for efficiency and costs were established in every division. Tonnes produced per person-shift worked have doubled since 1985 and the production cost per tonne has been reduced.

PCS also had a record year with sales of 4.7 million tonnes, exceeding the previous record established in 1987 by more than 50 thousand tonnes. The offshore market was particularly strong in 1988. Canpotex sold more potash than in any previous year. The domestic market was characterized by consistent prices established in January 1988, following the signing of the antidumping suspension agreement between the United States Department of Commerce and the Canadian potash producers. Higher prices in the United States resulted in increased competition for Saskatchewan producers. United States producers not only increased production but also concentrated more on the domestic markets and less on export markets. Offshore producers began to ship more product to the United States as well.

Public Participation

Initiatives were undertaken in 1988 whereby assets of certain Crown corporations were sold. The following is a brief description of each transaction.

- In February, 1988 a series of agreements were signed whereby Saskatchewan Telecommunications, Saskatchewan Computer Utility Corporation and a subsidiary of CIC sold certain operating assets to Westbridge Computer Corporation (Westbridge). The consideration was in the form of notes payable plus common shares of Westbridge thereby providing the above noted companies with a majority ownership interest in Westbridge.

- During 1988, Saskatchewan Minerals entered into agreements whereby it sold its peat moss operations to Premier Sask Inc. and sodium sulphate operations to Kam-Kotia Mines Ltd.

- In June 1988, the forest products operations of a subsidiary of CIC were sold to NorSask Forest Products Inc.

- On April 22, 1988 Saskatchewan Oil and Gas Corporation (Saskoil) and Saskatchewan Power Corporation (SPC) entered into an oil and gas properties acquisition agreement under which Saskoil purchased the interest of SPC and an affiliated company in substantially all of their petroleum and natural gas properties. The purchase price for the oil and gas properties was $325 million paid in cash, securities and royalty interests. The transaction was completed on June 3, 1988 with an effective date of May 1, 1988.

- As described earlier in this report, Cameco was formed in 1988 when it acquired most of Saskatchewan Mining Development Corporation's assets as well as the assets of Eldorado Nuclear Ltd. Cameco is one of the world's largest uranium mining and processing companies, with over $1.5 billion in assets, including interests in uranium and gold mining ventures in Saskatchewan, and a conversion plant and refinery in Ontario. The head office and major administrative functions of Cameco are located in Saskatoon.

For further information or
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